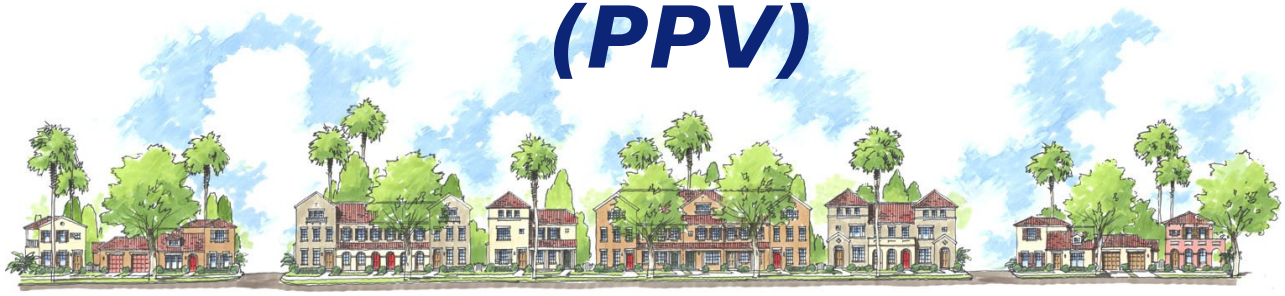
NAVFAC
Naval Facilities Engineering Command

Department of the Navy Public-Private Ventures (PPV)



Overview for PHMA

January 2004

Public / Private Ventures

- Background
- Program Objectives
- DoN Approach to Family Housing Public / Private Ventures
- Projects
- Transition

DoN Family Housing

- 75% of families live “on the economy”
- DoN owns 70,000+ homes worldwide
  - Majority over 30 years old
  - Over 36,000 “inadequate homes” require more than $15,000 to bring up to standard
  - $4.5 billion to solve entire backlog problem
- Approaches to adequate and affordable housing
  - Rely first on private sector
    - Increase Basic Allow
  - PPV
  - MILCON

New Orleans

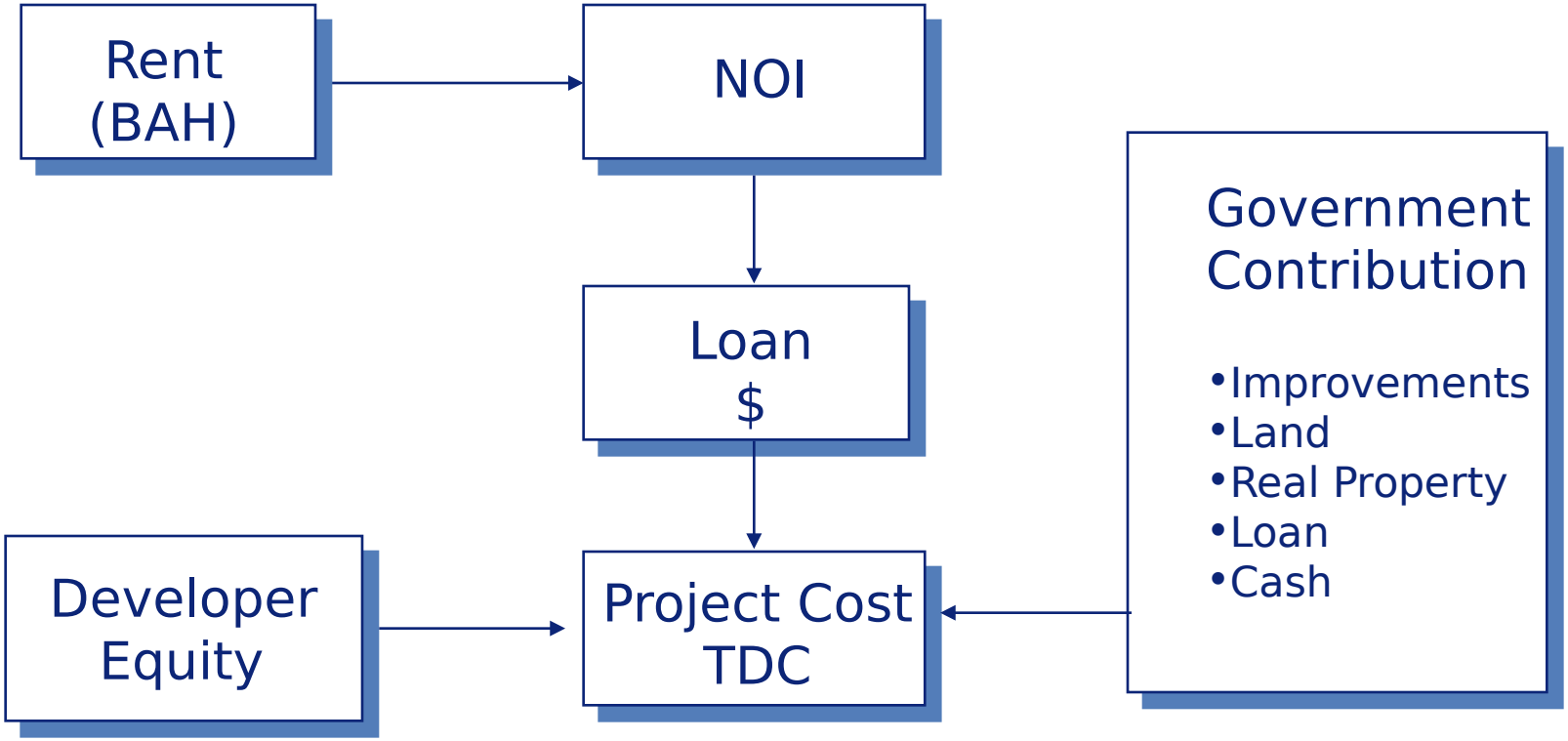
DoN PPV Program

- **1995 Investment Authorities for DoN only**
  - **Limited partnerships**
  - **Private land only**

- **1996 Military Housing Privatization Initiative (MHPI)**

  authorities for all Services
  - **Investments (‘partnerships’)**
  - **Conveyance of land & facilities**
  - **Differential lease payments**
  - **Direct loans and guarantees**
  - **Build to community standards**
  - **Ancillary facilities**

Economic Anatomy of a PPV



NOI: Net Operating Income

Program Objectives

- Leverage private sector investment to eliminate inadequate housing faster

- Revitalize existing inventory to eliminate "backlog"
- Address housing deficit
- Ensure housing is sustained over life of project

- DoN participation in key business decisions
- Protect value of DoN assets
- Minimize DoN liability

- Flexibility to meet changing requirements

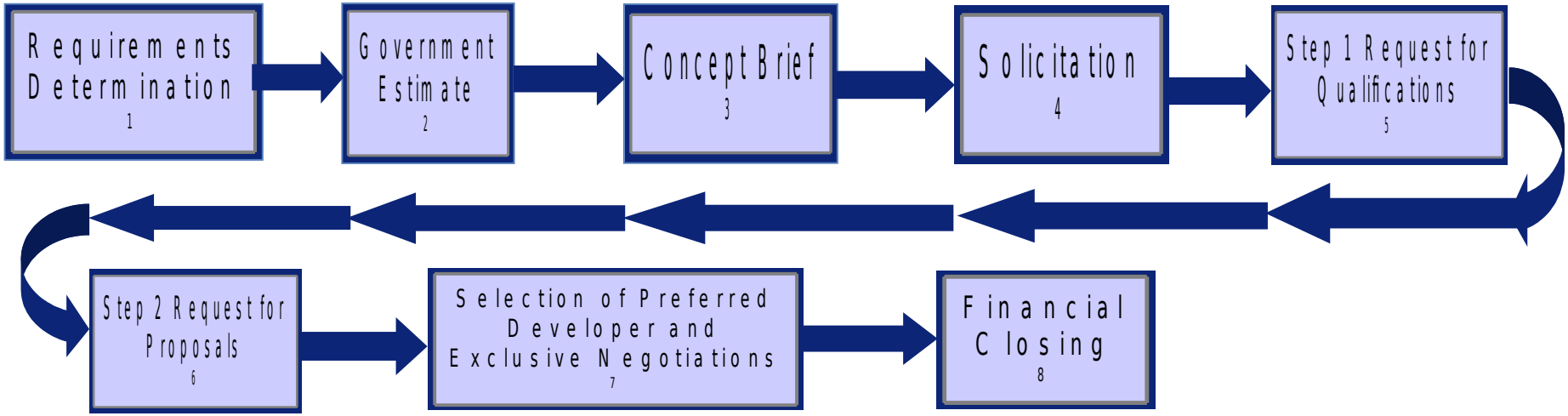
DoN Role in PPV

- **DoN does not "acquire" housing**
  - **Invests in private business entity, which owns and operates project**
  - **DoN is a minority partner with limited liability**
- **Managing Member responsible for day-to- day operations**
- **DoN consent required on key business decisions**
  - **Refinancing or taking out additional debt**
  - **Disposition of Company assets**
  - **Changes in the distribution of cash flow**
  - **Replacement of the Property Manager**
  - **Changes in project ownership**

Lessons Learned

- **Regional projects**
  - Portfolio approach to inventory
  - Adds complexity, but reduces overall procurement costs
- **Use of template documents**
  - Securing approvals
  - Industry expectations
  - Commonality
- **Face-to-face**
  - Presentations
  - Debriefs
- **Partnering**
  - Agree on mutual goals
  - Convey working details to those who will implement

Selection of Preferred Developer



1. Requirements identified per CNI-approved Housing Market Analysis.
2. Feasibility analysis and proforma using market rates/costs and standard industry sources (IREM, MEANS, CPI),

   and historical data.
3. OSD-determined contents, including Life Cycle Analysis and Leverage Calculation.
4. OSD-approved statement of project requirements, including repair/renovation of existing inventory, construction

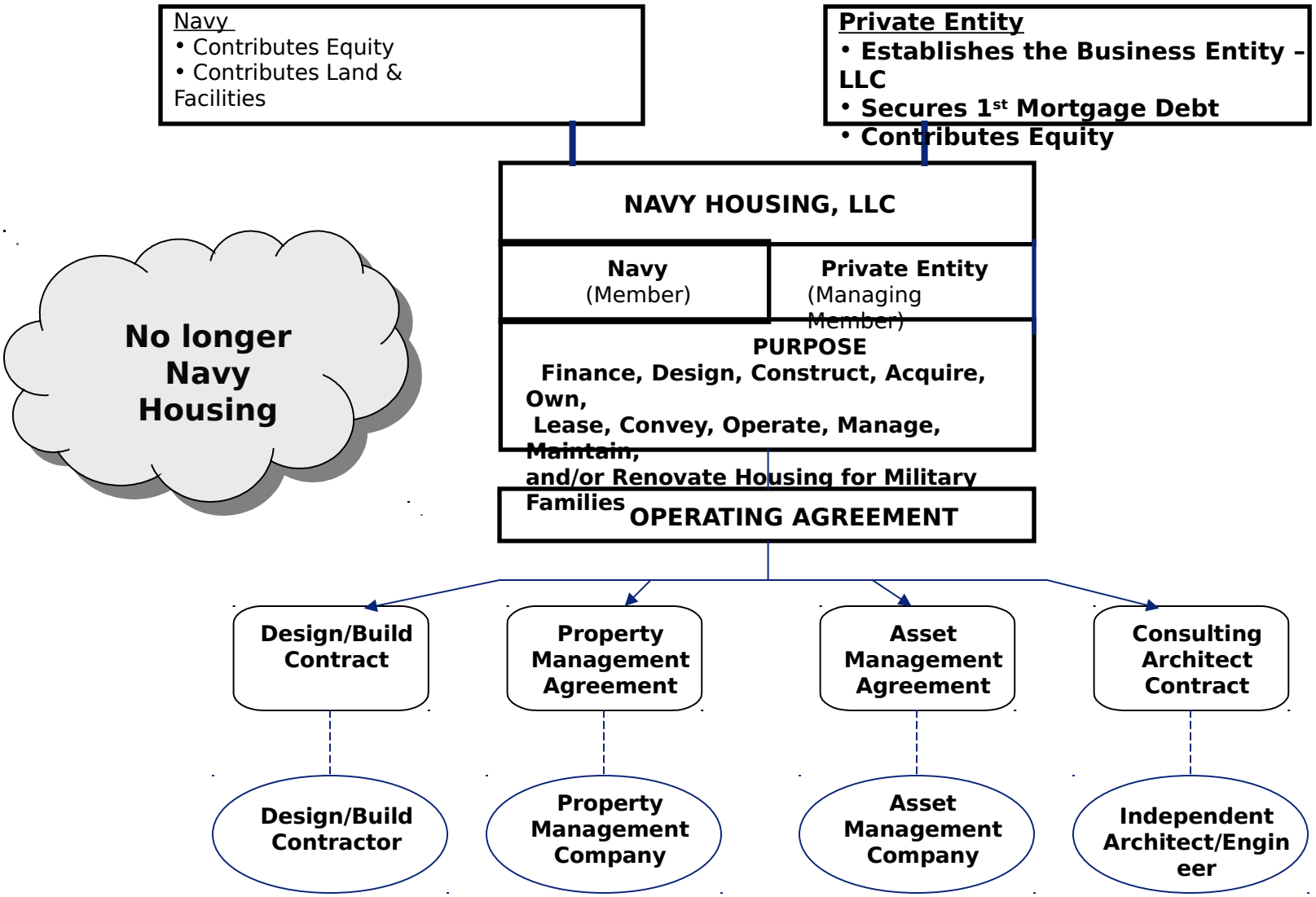
   of new units, Navy contribution, and long-term re-capitalization; followed by Congressional notification.
5. Step 1: Statement of Qualifications addressing Vision; Team Composition; Key Project Participants; Development

   and Operation/Management Experience; Financial Information. Average of 6-8 submissions.
6. Step 2: 3-5 developers invited to submit Technical and Financial Proposals.
7. Executive review/approval by Region, CNI, N4, ASN (I&E), and OSD; followed by Congressional notification. On-

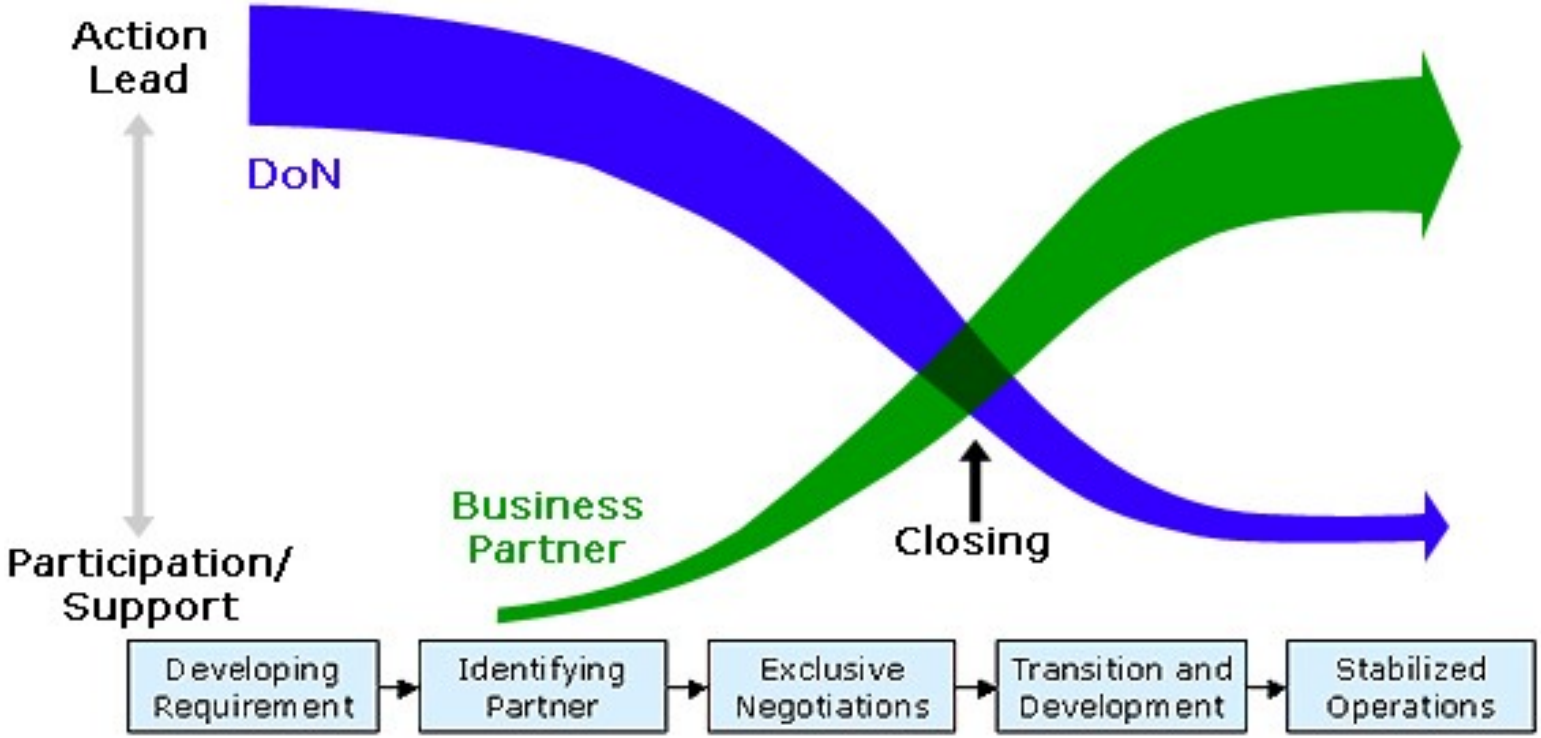
Business Approach

- Partnership with private sector
- Investment in private business entity
  - Single-purpose, bankruptcy-remote, self-sustaining business entity
  - Limited use of direct loan authority
- No Government guarantees
  - BRAC/deployment
  - Occupancy
  - Long-term private debt
- Out lease land, convey improvements
  - Land reverts to Government at end of deal, and improvements abandoned in place
  - Units built on private land sold at the end of deal
- Term
  - 50 years where Government assets included
  - Less than 50 on developer-provided land

Business Model



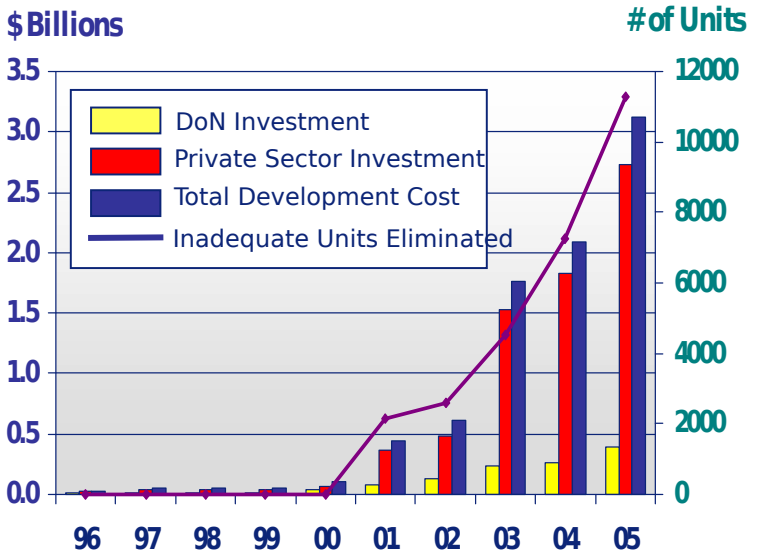
Transition of Responsibility



Upon execution of the business agreements, the Managing Member assumes full responsibility for developing, operating, and managing the occupancy of family housing.

Execution Summary

- **16,052 homes since 1996**
  - Kingsville, TX (I & II)
  - Everett, WA (I & II)
  - Camp Pendleton, CA
  - San Diego, CA
  - New Orleans, LA
  - Corpus Christi/Ingleside, TX
  - Beaufort/Parris Island, SC
  - San Diego PH II, CA
  - Camp Pendleton, CA (II)/Quantico, VA



- **$1.63 billion Total Development Cost**
- **$229 million DoN contribution**

LEVERAGE ACHIEVED:

$1.4 Billion

Data as of 01 Oct 2003

DoN Family Housing PPV Projects

Beaufort / Parris Island

FY04

- Yuma*
- Stewart, NY
- Hawaii Region I

FY05

- NE Region (east)
- NW Region I
- Mid-Atlantic
- NE Region (west)
- Camp Lejeune I
- Kansas City*
- Twentynine Palms*

FY06

- SE Region (west)
- SE Region (east)
- NW Region II*
- Camp Lejeune II*
- Camp Pendleton III*
- San Diego III*
- Hawaii Region (Navy and USMC)*

✓ Agreements signed

* Option to previous agreements

NAVY Project USMC Project JOINT (Navy & USMC) Project

Any Questions?